

Message Text

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TAGS: ECON, ELAB, NL
SUBJECT: PROPOSED LEGISLATION ON EXCESS PROFIT SHARING SCHEME

REF: 77 THE HAGUE 3839

1. SUMMARY: GON SUBMITTED SEPARATE BILL TO PARLIAMENT APRIL 27 COVERING ONLY EXCESS PROFIT SHARING (VAD) FOR INDIVIDUAL EMPLOYEES OF GIVEN FIRM SUBJECT TO PAYMENT. IN SUBMITTING A WATERED DOWN BILL FOR INDIVIDUAL PAYMENTS, GOVERNMENT SPOKESMEN SAID PREVIOUS GOVERNMENT'S PROPOSED VAD LEGISLATION WOULD HAVE RAISED TOO MANY ISSUES, WOULD NOT HAVE HELPED EMPLOYMENT OR BUSINESS CLIMATE, AND WOULD HAVE DISCOURAGED FOREIGN INVESTMENT IN NETHERLANDS. A SEPARATE BILL IS TO BE SUBMITTED AT A LATER DATE DEALING WITH THE COLLECTIVE PORTION OF EXCESS PROFITS TO GO INTO A COLLECTIVE FUND TO BE ADMINISTERED BY TRADE UNIONS AND GOVERNMENT MAINLY TO IMPROVE PENSIONS. END SUMMARY.

2. MOST SIGNIFICANT PROVISIONS OF BILL FOR INDIVIDUAL EMPLOYEES INCLUDE:

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1) WHEN PASSED, VAD WILL APPLY ONLY TO COMPANIES SUBJECT TO COMPANY PROFITS TAX BEGINNING WITH CALENDAR YEAR 1977;
2) ALL FIRMS WITH GROSS PROFITS OF AT LEAST 100,000 GUILDERS (2.21 BUILDERS EQUAL \$1.00), RATHER THAN THE PREVIOUSLY PROPOSED 200,000 AND 250,000 GUILDER LEVELS, WOULD BE SUBJECT TO VAD ON THEIR EXCESS PROFITS;

3) EXCESS PROFITS WILL BE CALCULATED ON TAXABLE PROFIT LESS DEDUCTIONS INCLUDING MAINLY COMPANY PROFIT TAX ASSESSMENTS AND PROFIT NORMALLY DISTRIBUTED TO SHAREHOLDERS (THE RETURN ON INVESTED CAPITAL WILL BE DETERMINED AGAINST THE AVERAGE RETURN ON A PACKAGE OF STATE BONDS PLUS A RISK PREMIUM NOW INCREASED TO 3 PERCENT FROM PREVIOUS 2 PERCENT);

4) SURRENDERED EXCESS PROFITS, CONTRARY TO PREVIOUS BILL, WILL NOW BE DEDUCTIBLE FROM TAXABLE PROFIT;

5) TO ACCOMMODATE FIRMS WHICH IN PAST HAVE SUSTAINED LOSSES OF CAPITAL AND RESERVES, NEW BILL (CONTRARY TO PREVIOUS) PROVIDES A FLOOR OF THE SUM OF FUNDS CONTRIBUTED BY THE SHAREHOLDERS;

6) THE VAD RATE ON EXCESS PROFITS AVAILABLE FOR INDIVIDUAL EMPLOYEES WOULD AMOUNT TO 12 PERCENT (RATHER THAN 10 OR 20 PERCENT) AND HALF OF THE LEVY WILL BE AT EXPENSE OF COMPANY PROFIT TAX DUE THE MINISTRY OF FINANCE;

7) THE EMPLOYER WILL HAVE THE RIGHT TO CALCULATE THE COMPANY'S EXCESS PROFIT BUT EMPLOYEES WILL HAVE THE RIGHT TO DEMAND AN AUDIT BY A CHARTERED ACCOUNTANT;

8) EXCESS PROFITS PAID TO EMPLOYEES WILL BE FROZEN FOR SEVEN YEARS AND MAY BE PAID PREFERABLY IN FORM OF SHARES OR EXCESS PROFIT CERTIFICATES BUT CASH PAYMENTS WOULD ALSO BE PERMITTED;
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9) THE MAXIMUM TO BE PAID TO AN INDIVIDUAL EMPLOYEE PER YEAR IS 3 PERCENT (RATHER THAN 2 PERCENT) OF THE BASIX WAGE ON WHICH SOCIAL SECURITY PAYMENTS ARE CALCULATED AND WILL AMOUNT TO ABOUT 1,500 GULDERS FOR 1977;

10) PORTIONS OF VAD PAYMENTS WHICH ARE NOT DISTRIBUTED BECAUSE OF LIMITATION ON ANNUAL PAYMENT TO INDIVIDUAL EMPLOYEES WILL REMAIN AVAILABLE FOR SIX YEARS TO BE USED TO SUPPLEMENT VAD PAYMENTS TO INDIVIDUALS IN LESS PROFITABLE YEARS AND BALANCES REMAINING AFTER SIX YEARS WILL REVERT TO THE COMPANY.

3. WE WILL PROVIDE MORE DETAILED VERSION OF LEGISLATION AS SOON AS IT BECOMES AVAILABLE. LEGISLATION WILL, OF COURSE, BE SUBJECT TO PARLIAMENTARY DEBATE AND AMENDMENT.
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